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C O N F I D E N T I A L HARARE 000525

SIPDIS

AF/EX

AF/S FOR BNEULING

EB/IFD FOR FCHISHOLM

NSC FOR SENIOR AFRICA DIRECTOR C. COURVELLE, D. TEITELBAUM

TREASURY FOR OREN WYCHE-SHAW

DEPT PLEASE PASS TO ALL AFRICAN DIPLOMATIC POSTS COLLECTIVE

ALSO PASS TO USAID FOR MARJORIE COPSON

E.O. 12958: DECL: 12/31/2009

TAGS: [ETRD](#) [PGOV](#) [ZI](#) [ECON](#) [EINV](#)

SUBJECT: GOZ THREATENS NEW PRICE CONTROLS

Classified By: Ambassador Christopher Dell for reasons 1.4 b/d

1. (SBU) Summary: The GOZ's daily Herald led its April 6 edition with an exhortation from Industry and Trade Minister Samuel Mumbengegwi to the private sector to rescind recent price hikes. The Herald, as well as GOZ-aligned Mirror, echoed these warnings in Thursday's editorials. A ZANU-PF official has also announced that the party's Women's League has drawn up a list of "profiteering" companies to seize control of. Fearing an uncertain commercial environment and the reinstatement of price controls, which caused widespread product shortages in 2003, Zimbabweans have been aggressively stocking up on basic commodities. End Summary.

2. (C) Since it abandoned most price controls in mid-2003, the GOZ has monitored prices but has mostly allowed retailers to set them freely at any level. Firms tell us the GOZ has reserved the right to approve price increases for a small number of products, such as soft drinks. In these cases, companies renegotiate new prices with the Industry and Trade Ministry, resulting in temporary shortages while negotiations stall.

3. (SBU) The Herald also said Secretary for Information and Publicity Nyasha Chikinya of the ruling ZANU-PF's Women's League has announced that her members were preparing to take over companies that created "artificial shortages." The League has drawn up a list of companies to be seized, according to the front page article.

4. (SBU) Thursday's editorials in the Herald and Mirror were similar, both alleging that the private sector is "profiteering" by having increased many prices 100 percent since the March 31 parliamentary elections. The papers asserted that firms were creating shortages in order to boost prices, undermining the efforts of Reserve Bank (RBZ) Governor Gideon Gono to contain inflation.

Comment

5. (C) Recent price hikes result from a first quarter zimdollar depreciation of over 50 percent. The parallel exchange rate, now used by most importers to purchase foreign exchange, fell during January-March from Z\$10,000 to 15,000:US\$. Few importers have been able to access forex through the RBZ's twice weekly auctions at the preferential Z\$6,000:US\$ rate.

6. (C) Since inflation has already almost certainly eclipsed the 20-35 percent band for 2005 laid out by Central Banker Gono on January 26 and repeated in daily ZANU-PF campaign advertisements, it is possible the GOZ will begin to scapegoat private sector greed for its failure to keep inflation in check. In any event, it appears the Gono-inspired era of relative goodwill between the RBZ and private sector is coming to an unceremonious end.
Dell